THEMATIC RESEARCH

Thanachart Securities

Siam Senses

Of hawks and doves

We expect aggressive Fed tightening to dominate the headlines in the next few months. For Thailand, investors should buy banks and life insurers to position ahead of likely BoT rate hikes next year. Based on past rate-hike cycles, investors should also not be too quick to conclude that a hawkish Fed could only lead to SET Index correction.

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Fed's rate path to dominate the headlines

We believe Fed rate hikes will dominate market movements in the next few months. The Fed meeting in May could be the start of an unprecedented tightening cycle, both in terms of its aggressiveness (a series of 50bps hikes) and a concurrent balance sheet reduction (USD95bn a month).

Ripe conditions for a hawkish Fed

We believe economic conditions in the US are ripe for an aggressive rate hike cycle. The labor market there is as tight as it could be with unemployment and jobless claims figures at levels not seen in 50 years. Inflation is already running high and rising with CPI at 8% and core PCE (the Fed's preferred gauge) at 5.4% – well above its 2% target. What's more, the composition of FOMC voting members has changed dramatically from 2021 with more hawkish Fed governors rotating into voting members this year. Even Fed members known to be dovish in the past have turned more hawkish and are themselves advocating rapid rate increases.

A rate hike cycle like no other

We expect this rate hike cycle to be like no other given its fast pace and the concurrent balance sheet reduction. The Fed Fund futures market is pricing in aggressive rate hikes of 50bps at each of the next three meetings followed by three more 25bp hikes. This would put the year-end Fed Fund Rate (FFR) at 2.50-2.75%. In the past 30 years, the market has rarely seen such an aggressive rate hike cycle and these were by and large observed in the 1970s and 1980s. Moreover, the Fed will likely begin shrinking its balance sheet at an unprecedented pace (likely USD95bn a month based on the most recent FOMC minutes).

Implications for Thailand

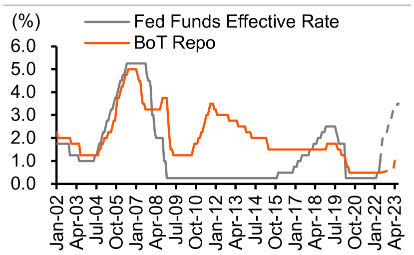
We believe the main implication for Thailand is on the BoT's own rate path. We forecast no rate hike this year and two for next year, in line with what the bond market is pricing in. This scenario would favor big banks (KBANK [KBANK TB, Bt159.5, BUY] and BBL [BBL TB, Bt137, BUY] are our top picks). We also expect higher interest rate expectations to lift long-dated bond yields, which would benefit life insurer Bangkok Life (BLA TB, Bt43.25, BUY). For the SET Index in general, we do not think investors should rush to conclude that aggressive Fed rate hikes will trigger a market correction. This is based on our analyses of five previous aggressive rate hikes since 1975.

Top Picks

	-EPS growth- 22F (%)	23F (%)	— PE — 22F (x)	23F (x)	Yield 22F (%)
BBL	14.1	10.5	8.6	7.8	3.5
CBG	44.1	30.4	26.0	19.9	2.5
COM7	28.4	22.5	30.1	24.6	1.5
CPN	124.0	40.2	35.0	24.9	1.4
EA	44.9	20.6	37.7	31.3	0.8
GLOBAL	15.9	21.4	27.4	22.6	1.5
HMPRO	21.1	20.0	32.1	26.8	2.5
KBANK	13.9	12.0	8.8	7.9	2.3
M	na	71.9	30.9	18.0	3.2
STARK	25.0	31.9	21.7	16.5	2.3

Source: Bloomberg, Thanachart estimates
Based on 7 April 2022 closing prices

Bot Repo Rate Vs Fed Funds Rate



Sources: CME, St. Louis Fed, BOT, Thanachart estimates

SET Perf Vs Aggressive Fed Rate Hikes

From	To	FFR chg* (%)	SET return (%)
Dec-77	Nov-78	3.20	32.06
Dec-78	Nov-79	3.15	(40.85)
Jul-80	Jun-81	10.07	(11.22)
Feb-88	Jan-89	2.50	15.70
Dec-93	Nov-94	2.50	(19.04)

Sources: St. Louis Fed, Bloomberg, Thanachart estimates
Note: * based on end-of-month effective FFR

Ripe conditions for a hawkish Fed

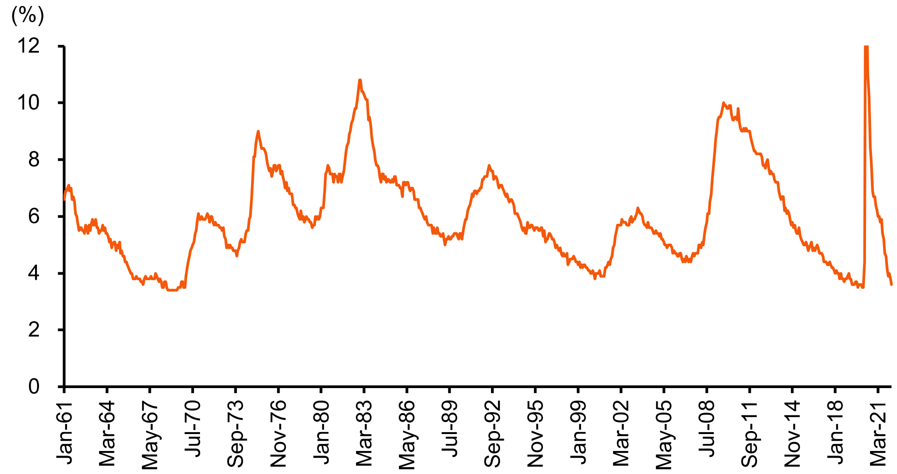
Judging by the Fed's dual mandate of price stability (ie, inflation control) and full employment, the US economic conditions may now warrant aggressive rate hikes.

US jobs market is as tight as ever

US unemployment rate at the lowest level since the late 1960s

The current US job market is extraordinarily tight. The unemployment rate stands at 3.6%, matching the pre-COVID low which itself was the lowest level since the 1960s. Initial jobless claims hover at just over 200,000 — the lowest level since September 1969 (when the labor pool was half of today's size). Likewise, continuing jobless claims of a little over 1.3m are at a level not seen in over 50 years.

Ex 1: US Unemployment Rate Nearing Decades-Low Level

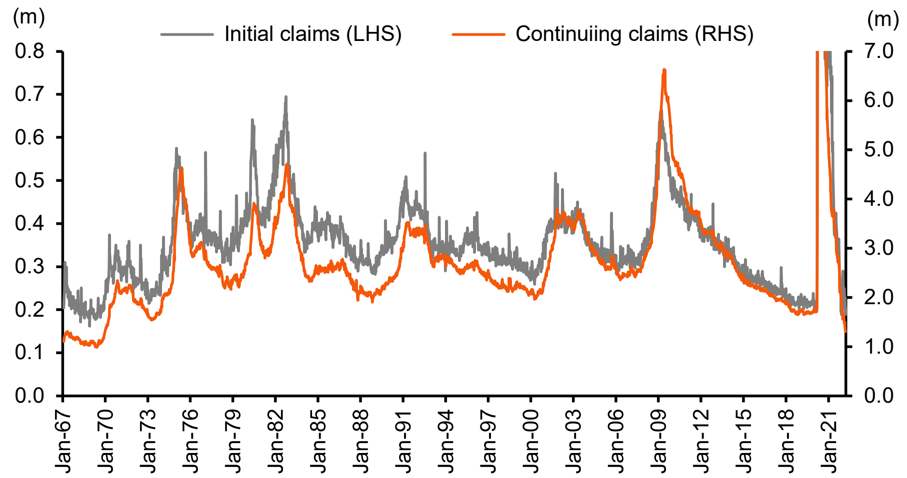


Source: St. Louis Fed, Thanachart

US initial jobless claims at c.200k was last seen in the late 1960s

What's even more extraordinary is that several market participants are forecasting the job market to get even tighter in the coming months where unemployment could reach a record-low 3.3%. Sub-4% unemployment rate has rarely been observed in the past 50 years, and it was only during the Powell-led Fed that such number became the norm. In previous cycles, unemployment normally bottomed at 4-5%. Only once in the past 50 years (in 2000) did unemployment fell below 4% but it was very briefly and only touched 3.8% for one month.

Ex 2: US Initial And Continuing Jobless Claims Are At Lowest Levels In Over 50 Years

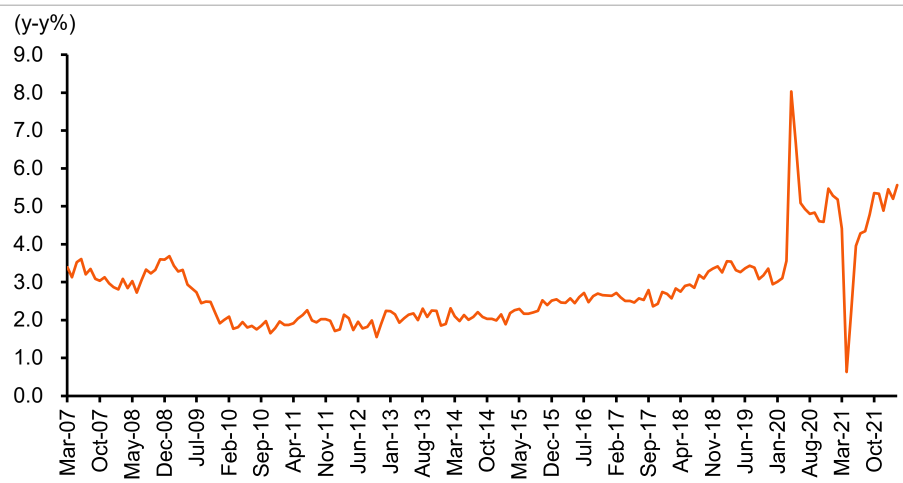


Sources: St. Louis Fed, Thanachart

Wage growth has exceeded 3% even before COVID; now running close to 5.5%

Another sign that the US labor market may be getting too hot is the persistent rise in wages. Average hourly earnings had been increasing by over 3% y-y even before the pandemic struck. Ignoring the data distortion during April-May 2021 (high base effect), hourly earnings have been growing at about a 5% y-y pace since the pandemic struck. This level of wage growth is *not* consistent with the Fed's inflation target level and therefore a sign that the labor market is getting too tight.

Ex 3: US Average Hourly Earnings Y-Y Growth



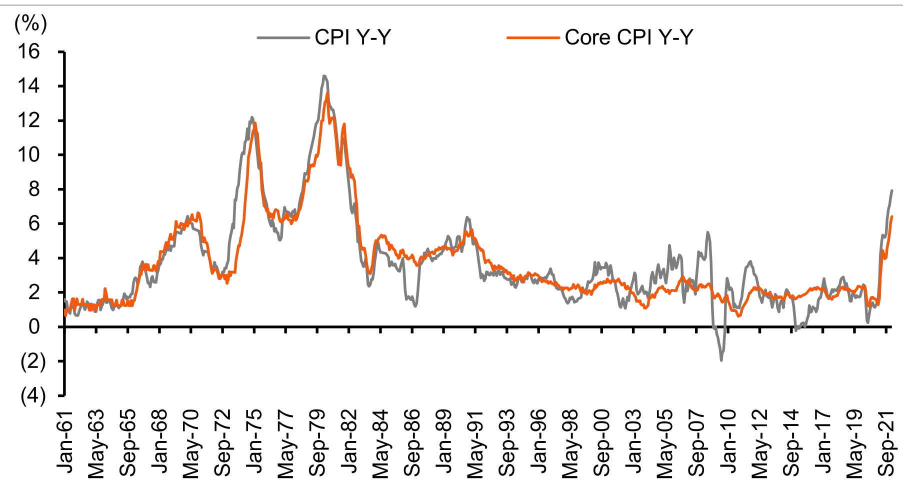
Sources: St Louis Fed, Thanachart

High and rising inflation

US inflation at 40-year highs

Not only is the labor market as tight as it could get, inflation is also running at decades-high levels. Headline CPI is at almost 8% y-y, the highest level since January 1982. Core PCE (the Fed's preferred measure) is also at a decades-high 5.4% and well above the Fed's 2% target.

Ex 4: US Inflation At 40-Year Highs

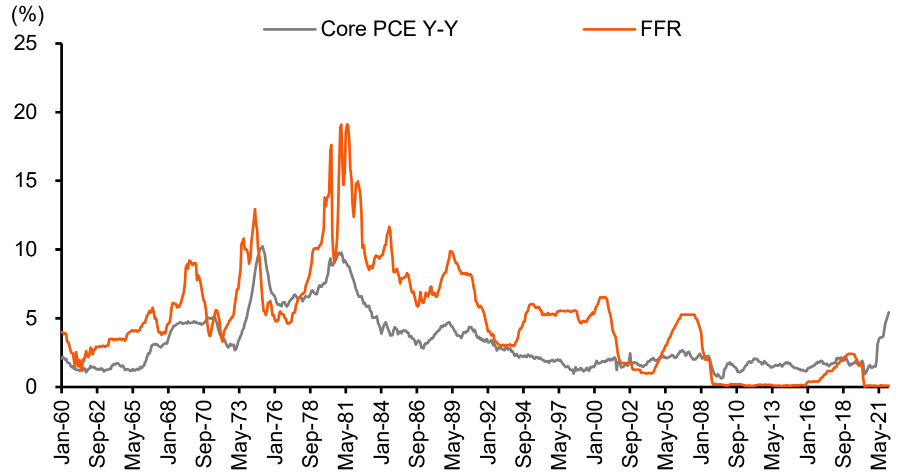


Sources: St. Louis Fed, Thanachart

Core PCE inflation has exceeded the Fed's 2% target since April 2021

Another aspect of this inflation episode is that the Fed Funds Rate (FFR) remains well below running inflation. Whereas inflation (based on core PCE) has exceeded the Fed's 2% target since April 2021, the FFR has only been increased by one notch and it only started in the past month at that. This lag of nearly one year means the Fed has significant catching up to do.

Ex 5: Core PCE Inflation Vs. Fed Funds Rate

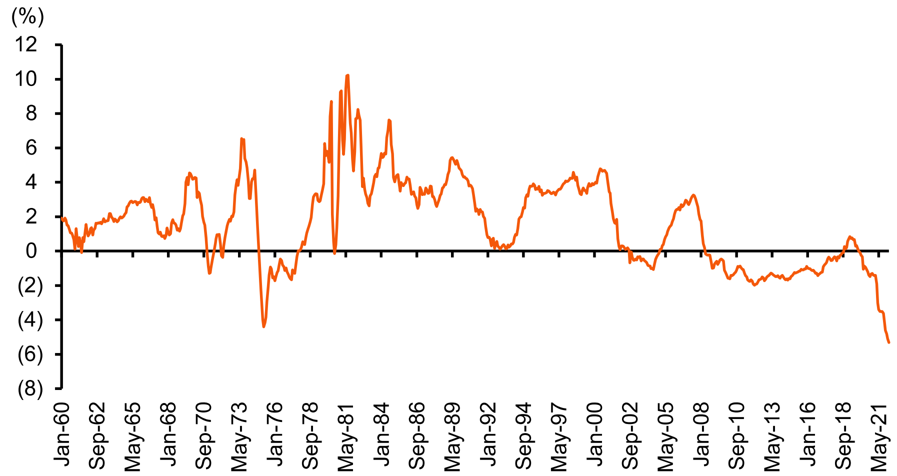


Sources: St. Louis Fed, Thanachart

High inflation and the slow FFR increase mean the real FFR (effective FFR minus core PCE) is running deep into negative territory. The current real FFR adjusted for inflation is less than *negative* 5%. Again, we have to go back to the 1970s to see such a negative real FFR. We note that the real FFR stayed negative for a long time in the mid-2010s. However, back then core PCE was running at less than 2% and, as such, the Fed could afford to adopt a very loose monetary policy. Today's scenario is very different from those years.

Real FFR remains deep in negative territory

Ex 6: 'Real' Fed Funds Rate Calculated As FFR Minus Core PCE Y-Y



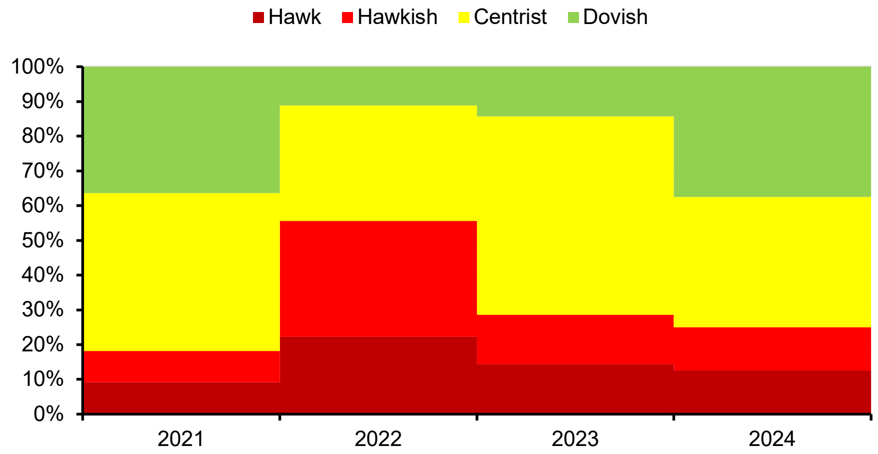
Sources: St. Louis Fed, Thanachart

When a dove turns into a hawk

FOMC is tilting more hawkish due to member rotation and changing views among doves

Besides the economic indicators (tight jobs market, high and rising inflation), we believe another factor that could drive aggressive rate hikes is the increasingly hawkish FOMC. This is due to a changing make-up of the committee itself where more hawkish regional governors rotate into voting members. Equally important is that more and more Fed governors have turned increasingly hawkish. Even those known in the past to be dovish are now advocating rapid rate increases. Board governor (and potential future Vice Chair) Lael Brainard is a case in point. She was known as among the most dovish Fed members, and yet her recent comment suggests that even she is advocating for “stronger action” on inflation and balance sheet reduction “at a rapid pace”. We think it is when the dove turns hawkish that the market really pays attention and this was indeed a case.

Ex 7: FOMC Voting Members Based On View On Monetary Policy



Sources: Reuters; Thanachart

Note: View on monetary policy based on Reuters’ assessment 30 Mar 2022; based on current FOMC voting members only

The Fed is much more hawkish in 2022 than in 2021

Judging by changes in voting members and using Reuters’ assessment of each voting member’s view on monetary policy — ranging from dove, to dovish, centrist, hawkish, and hawk — we believe that the Fed in 2022 is much more hawkish than it was in 2021. Last year, we assessed that only two voting members out of 11 were either hawkish or an outright hawk. The rest were either dovish (four) or centrist (five). Moving into 2022, we see three members as hawkish and two as outright hawks. By contrast, there was only one dovish voting member and three who are considered centrists. These changes came as Esther George (Kansas City Fed President), Loretta Mester (Cleveland Fed President), and James Bullard (St. Louis Fed President) — all of whom are known to be hawkish — replaced dovish Charles Evans (Chicago Fed President), Mary Daly (San Francisco Fed President) and Raphael Bostic (Atlanta Fed President) as voting members on the FOMC. Other members, who were previously known to be dovish, have also adopted a more hawkish view. In the case of John Williams (NY Fed President), for instance, Reuters has assessed that he has turned into a centrist from a dovish member based on his most recent comments. The significant shift in composition and the more hawkish view by other members will likely lead Fed to adopt a more aggressive tightening cycle.

Ex 8: 2021 FOMC Voting Members

Name	Position	View on monetary policy
Brainard	Board	Dovish
Evans	Chicago	Dovish
Daly	San Francisco	Dovish
Bostic	Atlanta	Dovish
Williams	New York	Centrist
Powell	Chairman	Centrist
Barkin	Richmond	Centrist
Clarida	Board	Centrist
Quarles	Board	Centrist
Bowman	Board	Hawkish
Waller	Board	Hawk

Sources: Reuters; Thanachart

Note: View on monetary policy based on Reuters' assessment 30 Mar 2022

Ex 9: 2022 FOMC Voting Members

Name	Position	View on monetary policy
Brainard	Board	Dovish
Williams	New York	Centrist
Powell	Chairman	Centrist
Harker***	Philadelphia	Centrist
Bowman	Board	Hawkish
Mester	Cleveland	Hawkish
George	Kansas City	Hawkish
Waller	Board	Hawk
Bullard	St Louis	Hawk
Jefferson*	Board	Unknown
Cook*	Board	Unknown
Collins**	Boston	Unknown

Sources: Reuters; Thanachart

Note: View on monetary policy based on Reuters' assessment 30 Mar 2022

* awaiting Senate confirmation; ** effective 1 July 2022; *** alternate member

If we look forward to 2023 and 2024, we think the Fed's voting composition will turn more towards a centrist view. Again, this is due mostly to board member rotation where some of the more dovish regional governors (such as Neel Kashkari of the Minneapolis Fed) rotate to become voting members on the FOMC. Given these potential changes, we think the current hawkish members may be even more aggressive to ensure that sufficient rate hikes are adopted before the end of their voting terms.

Ex 10: 2023 FOMC Voting Members

Name	Position	View on monetary policy
Brainard	Board	Dovish
Kashkari	Minneapolis	Centrist
Williams	New York	Centrist
Powell	Chairman	Centrist
Harker	Philadelphia	Centrist
Bowman	Board	Hawkish
Waller	Board	Hawk
Jefferson*	Board	Unknown
Cook*	Board	Unknown
Unknown	Board	Unknown
Unknown	Chicago**	Unknown
Unknown	Dallas**	Unknown

Sources: Reuters; Thanachart

Note: View on monetary policy based on Reuters' assessment 30 Mar 2022

* awaiting Senate confirmation; **Chicago Fed President Charles Evans will retire by January 2023 and a new president will need to be confirmed; Dallas Fed president search process under way

Ex 11: 2024 FOMC Voting Members

Name	Position	View on monetary policy
Brainard	Board	Dovish
Daly	San Francisco	Dovish
Bostic	Atlanta	Dovish
Williams	New York	Centrist
Powell	Chairman	Centrist
Barkin	Richmond	Centrist
Bowman	Board	Hawkish
Waller	Board	Hawk
Jefferson*	Board	Unknown
Cook*	Board	Unknown
Unknown	Board	Unknown
Unknown	Cleveland**	Unknown

Sources: Reuters; Thanachart

Note: View on monetary policy based on Reuters' assessment 30 Mar 2022

* awaiting Senate confirmation; **Cleveland Fed President Loretta Mester will retire by January 2024 and a new president will need to be confirmed

The key unknown is how new Fed members will vote. Currently, the Fed has three vacant seats (out of a total of seven) on its board of governors. So far, there have been two nominees who are still awaiting Senate confirmation: Lisa Cook and Philip Jefferson. A third nominee Sarah Raskin withdrew her nomination on 15 March. The Boston Fed President Susan Collins will take up her position on 1 July while the Dallas Fed is still in the process of searching for its new president following the resignation of Robert Kaplan late last year.

A rate hike cycle like no other

We expect this rate hike cycle to be like no other given its fast pace and the concurrent balance sheet reduction.

Three 50bps plus three 25bps hikes

Based on Fed Funds futures, the market is pricing in very aggressive rate hikes by the Fed for the remainder of this year. The highest probability is assigned to the FFR reaching 250-275bps by the end of 2022. The market sees a nearly equal probability that the policy rate could reach 275-300bps. In fact, based on the Fed Funds futures today, there is nearly a 50% probability that the FFR rate will end the year higher than 275bps.

Ex 12: CME Target Rate Probability

(bps)	50-75	75-100	100-125	125-150	150-175	175-200	200-225	225-250	250-275	275-300	300-325	325-350
04-May-22	23.4%	76.6%										
15-Jun-22			16.1%	59.9%	24.1%							
27-Jul-22				4.9%	29.5%	48.9%	16.7%					
21-Sep-22					2.8%	18.7%	40.4%	30.9%	7.3%			
02-Nov-22						2.2%	15.7%	36.2%	32.7%	11.8%	1.4%	
14-Dec-22							2.0%	14.5%	34.5%	32.9%	13.6%	2.3%

Sources: CME, Thanachart

Note: Data as of 1 April 2022

If we work out the potential rate hike at each meeting, then the market is effectively expecting 50bps hikes at each of the next three Fed meetings. This is followed by a series of three 25bps hikes until the end of this year. Together with the 25bps hike in March, this brings the potential full-year hike to 250bps in 2022F.

Ex 13: CME Implied Probability Of Rate Hike At Each Meeting

(bps)	-100	-75	-50	-25	0	+25	+50	+75	+100	+125	+150
04-May-22						23.4%	76.6%				
15-Jun-22						12.3%	49.7%	32.5%	5.6%		
27-Jul-22				1.2%	10.0%	30.2%	38.1%	17.9%	2.7%		
21-Sep-22			0.5%	4.5%	16.7%	30.6%	29.2%	14.7%	3.7%	0.4%	
02-Nov-22		0.2%	1.8%	8.4%	20.3%	28.6%	24.2%	12.3%	3.7%	0.6%	0.0%
14-Dec-22	0.0%	0.4%	2.8%	10.0%	20.9%	27.2%	22.4%	11.6%	3.7%	0.7%	0.1%

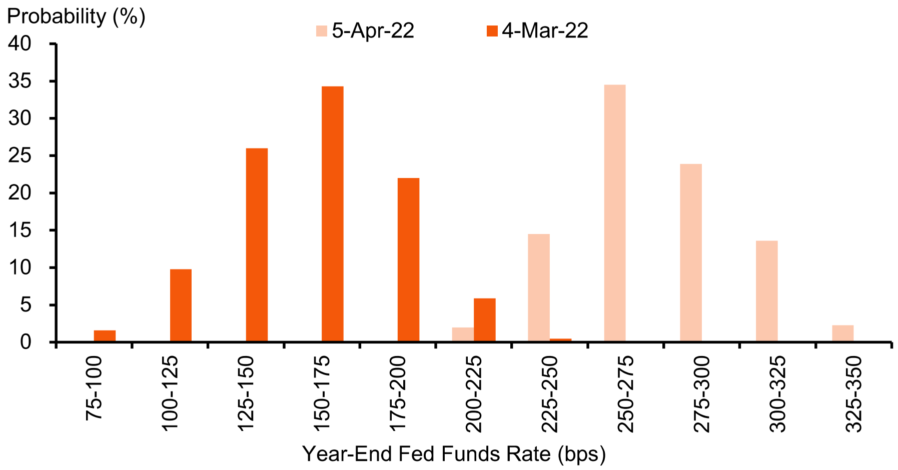
Sources: CME, Thanachart

Big change in market expectations

There has been just one episode of a similarly aggressive tightening cycle in the past 30 years

It is worth noting how much the market's view has shifted in the past month. In early March, the market's expectation was for the FFR to reach 150-175bps by the end of this year. Now, the market is assigning zero probability to that scenario. Instead, the rate hike expectation has shifted up a full 100bps to 250-275bps by the end of the year with hardly any overlap between the two bell curves.

Ex 14: Change In Market Expectations



Source: CME

Few precedents in the past 30 years

It's also worth noting that such a series of aggressive rate hikes has hardly ever been observed in the past three decades. The last time we saw a 2.5% rate increase in any given 12-month period was in 1994. A series of 50bps rate hikes is even rarer still. The last time the effective Fed Funds Rate went up by 1.5% or more in any given four-month period was in 1989. Prior to that, a series of aggressive rate hikes only happened in the 1970s and 1980s.

Ex 15: 4-Month Period When FFR Change Is Over 1.5%

From	To	Avg 4-mo change in FFR
Aug-58	Nov-58	1.59
Feb-68	May-68	1.51
Feb-69	Aug-69	2.07
Apr-71	Jul-71	1.60
Nov-72	Oct-73	2.26
Feb-74	Aug-74	2.42
Aug-78	Jan-79	1.85
Jul-79	Apr-80	3.21
Jul-80	Aug-81	5.05
Jan-82	Apr-82	2.57
Dec-88	Mar-89	1.50

Sources: St. Louis Fed; Thanachart

Ex 16: 12-Month Period When FFR Change Is Over 2.5%

From	To	Avg 12-mo change in FFR
Jul-58	Jun-59	2.71
Jun-68	Dec-69	2.92
Feb-72	May-74	3.84
Dec-77	Apr-80	3.91
Jan-80	Sep-81	6.67
Feb-88	Apr-89	2.76
Mar-94	Feb-95	2.58

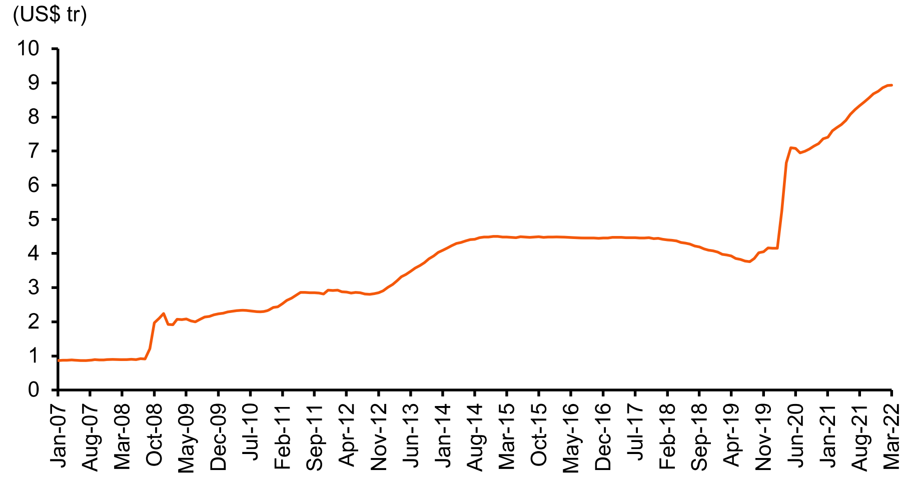
Sources: St. Louis Fed; Thanachart

'Rapid' balance sheet reduction

The Fed could reduce the size of its balance sheet by up to USD95bn a month starting in May 2022

The Fed will not only have to hike rates aggressively, but it will also be shrinking its balance sheet at an unprecedented pace. During the last roll-off in 2018, the Fed capped its monthly balance sheet reduction at USD50bn. In practice, from January 2018 to August 2019, the Fed shrunk its balance sheet by about USD690bn, equating to less than a USD35bn reduction per month. This time around, the pace of reduction may be increased to USD95bn a month (USD60bn of US treasuries and USD35bn of mortgage-backed securities). Moreover, it might take only a few months for the Fed to reach that pace. This aggressive balance sheet reduction would further tighten monetary conditions in the US.

Ex 17: US Fed Balance Sheet



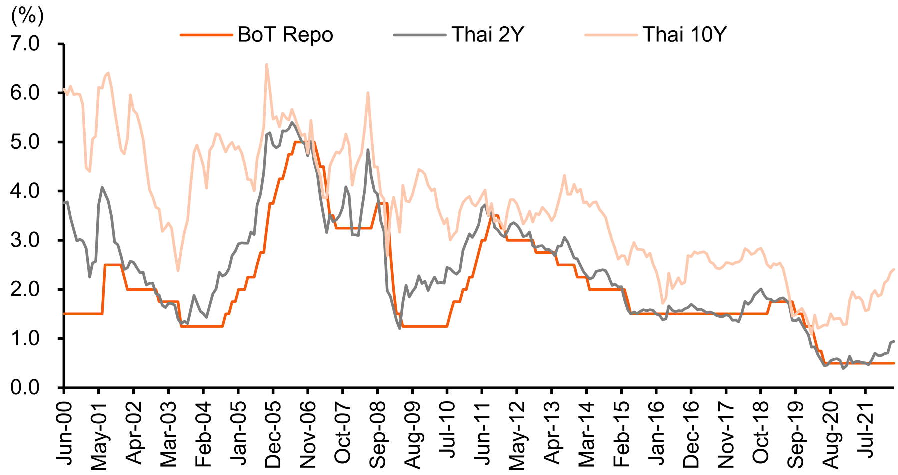
Sources: US Federal Reserve, Thanachart

Implications for Thailand

The Thai market is pricing in just two BoT rate hikes in the next 15 months

The aggressive Fed rate hikes will have significant implications for Thailand. We think chief among these is on the Bank of Thailand's (BoT) own rate path where we expect no rate hike this year and two hikes next year.

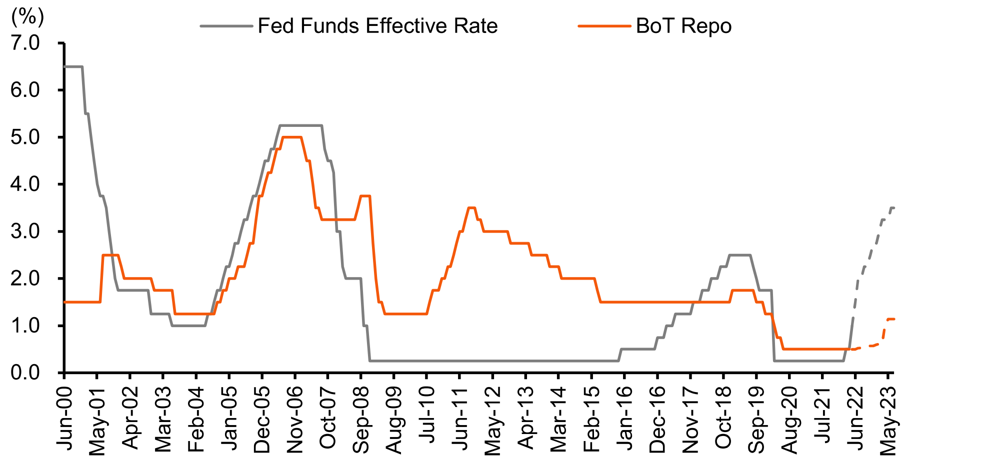
Ex 18: Bot Repo Rate Vs. Thailand 2Y And 10Y Government Bond Yields



Sources: BoT, Thai BMA, Thanachart

If we compare paths of futures rates, then it is quite clear Thailand may lag behind the US rate increases. Based on Fed Fund futures, the FFR may touch 2.75% (upper bound) by the end of 2022F and 3.5% by mid-2023F. By contrast, the Thai market is not pricing in any rate hike at all this year and only two hikes by mid-2023F. This implies that the BoT repo rate may be 2.0-2.5% lower than Fed Funds rate over the next 9-15 months.

Ex 19: Bot Repo Rate Vs Fed Funds Rate



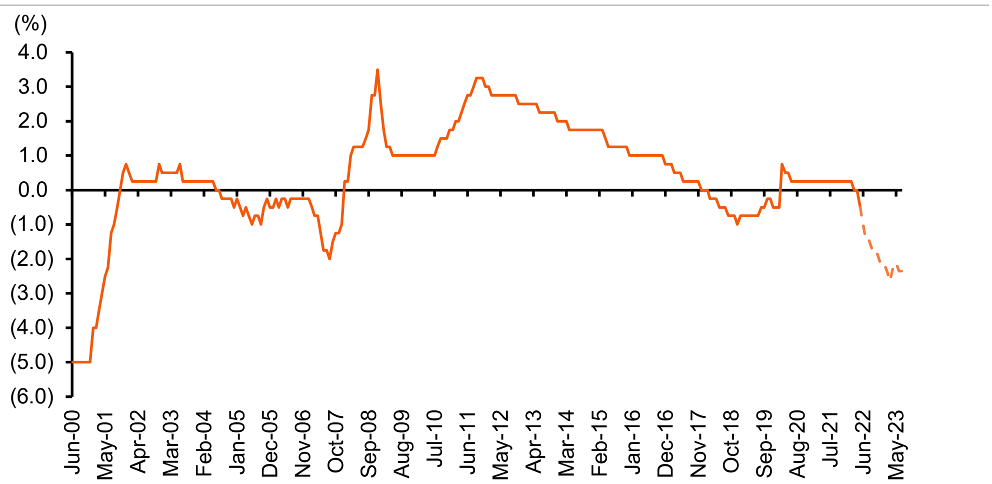
Sources: CME, St. Louis Fed, BOT, Thanachart estimates

Note: FFR for May 2022-Jun 2023 based on CME highest probability path. BoT rate path implied from Thailand government bond yield curve for May 2022 and after

BoT's policy rate could be 2.0-2.5% lower than the FFR by mid-2023F

Negative gaps between Thailand and the US policy rates have been observed several times before. In the early 2000s when Thailand was still emerging from the Asian financial crisis, the BoT's policy rate was well below the FFR. Then in the rate cycle in the mid-2000s, the BoT's policy rate was once again well below the FFR, especially in 2007 when the gap expanded to -2%. The last time the repo rate was below the FFR was in 2018 when the Fed hiked rates and the BoT chose to stay put. This time around, given ample liquidity in Thailand and the different paces of economic recoveries, we think the BoT will choose to hold off on any rate hike in 2022F. However, we expect two rate hikes in 2023F when economic recoveries gain a firmer footing. Our view for both this year and next year is in line with what the bond market is pricing in. To play this, we believe investors should position themselves in big banks ahead of likely BoT rate hikes. Our two top picks among the banks are BBL and KBANK. We also recommend BLA as a play on rising long-dated bond yields.

Ex 20: BoT Repo Rate Minus Fed Funds Rate



Sources: CME, St. Louis Fed, BoT, Thanachart estimates

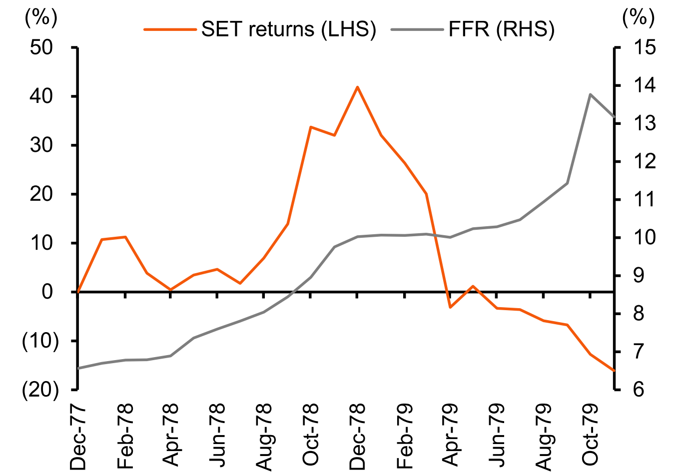
Note: Implied from Fed Fund futures market and Thailand government bond yield curve for May 2022 and after

Investors should not jump to the conclusion that a hawkish Fed could only lead to a SET correction

The broader implications for the overall stock market in Thailand are less clear. We examined several periods when the FFR was raised rapidly and looked at the corresponding SET Index performance. Since the SET's inception in 1975, there have been roughly five distinct periods when the FFR was increased by 2.5% or more in 12 months or less. During these periods, the SET Index performance seemed to be independent of FFR movements: two ups and three downs. Note that we focus on any given 12-month period rather than the full rate hike cycle because — frankly speaking — nobody knows when or where the current rate hike cycle will end.

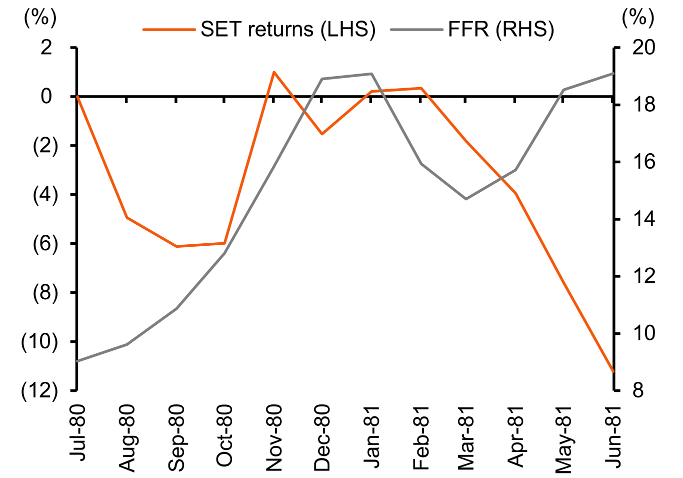
Between December 1977-November 1978, the FFR was raised from 6.5% to almost 10%. The SET Index performance during this period was very strong, rising by over 30%. However, as the FFR was raised further in the subsequent 12 months (from 9.75% to 13%), the SET Index suffered a strong reversal. Then from mid-1980 to mid-1981, the FFR saw another hike cycle, going from less than 10% to over 19% in 12 months. The SET Index performance during this period was -11%.

Ex 21: SET Index Return Vs. FFR Dec 1977 – Nov 1979



Sources: St Louis Fed, Bloomberg; Thanachart

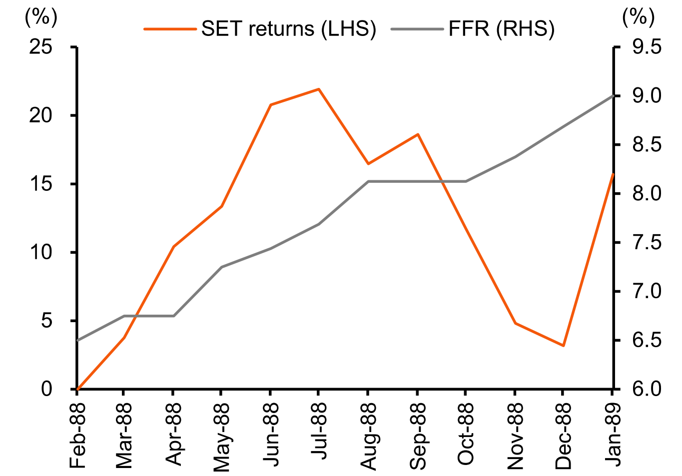
Ex 22: SET Index Return Vs. FFR Jul 1980 – Jun 1981



Sources: St Louis Fed, Bloomberg; Thanachart

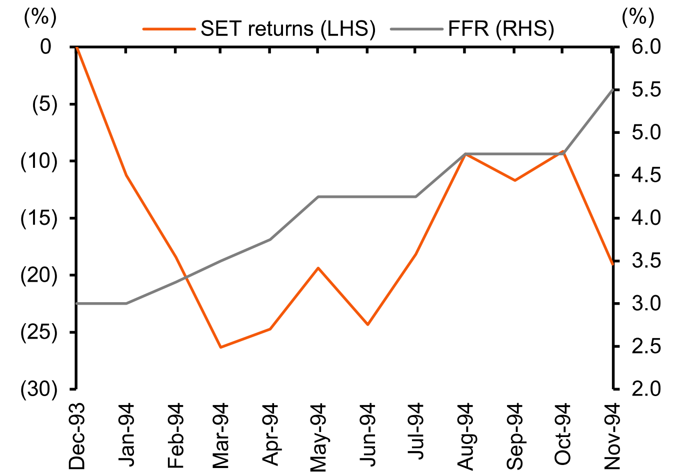
Between September 1983-August 1984, the FFR was increased from about 9.5% to almost 12%, and the SET Index dropped by just over 6% during this period. However, in 1988, a similar magnitude of rate hike (from 6.5% to 9.25%) did not negatively impact the SET Index's return. The index actually went up by a strong 15%.

Ex 23: SET Index Return Vs. FFR Feb 1988 – Jan 1989



Sources: St Louis Fed, Bloomberg; Thanachart

Ex 24: SET Index Return Vs. FFR Dec 1993 – Nov 1994



Sources: St Louis Fed, Bloomberg; Thanachart

From December 1993 to November 1994, the FFR was raised from 3% to almost 5.5% and the SET Index fell by 20% over the period. Yet, the SET Index managed to deliver positive returns during a similar rate increase period in the mid-2000s.

What this means is that investors should not jump to the conclusion that a hawkish Fed can only mean a SET Index correction. Regardless of Fed's rate path, an attractive valuation, an economic recovery and earnings growth are factors that still make SET Index attractive today, in our view.

Ex 25: Thanachart's Top Picks

Ticker	Rating	Current Price	Target price	*Upside*	Market cap	Norm EPS growth		— Norm PE —		EV/EBITDA or P/BV of Bank		— Yield —	
						2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
		(Bt/shr)	(Bt/shr)	*(%)*	(US$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BBL TB	BUY	137.00	165.00	20.4	7,805	14.1	10.5	8.6	7.8	0.5	0.5	3.5	3.8
CBG TB	BUY	105.50	138.00	30.8	3,149	44.1	30.4	26.0	19.9	19.8	15.3	2.5	3.3
COM7 TB	BUY	42.00	47.50	13.1	1,504	28.4	22.5	30.1	24.6	21.1	17.5	1.5	3.3
CPN TB	BUY	59.00	65.00	10.2	7,903	124.0	40.2	35.0	24.9	19.5	15.5	1.4	1.8
EA TB	BUY	88.25	110.00	24.6	9,825	44.9	20.6	37.7	31.3	26.7	22.8	0.8	1.0
GLOBAL TB	BUY	22.20	30.00	35.1	3,049	15.9	21.4	27.4	22.6	21.7	17.9	1.5	1.8
HMPRO TB	BUY	16.10	19.00	18.0	6,319	21.1	20.0	32.1	26.8	18.1	15.7	2.5	3.0
KBANK TB	BUY	159.50	190.00	19.1	11,279	13.9	12.0	8.8	7.9	0.7	0.7	2.3	2.5
M TB	BUY	53.75	67.00	24.7	1,477	na	71.9	30.9	18.0	11.5	8.4	3.2	5.6
STARK TB	BUY	4.46	6.40	43.5	1,585	25.0	31.9	21.7	16.5	14.6	11.5	2.3	3.0

Sources: Bloomberg, Thanachart estimates
Note: Based on 7 April 2022 closing prices

APPENDIX 1: Top picks' financials

Ex 1: Bangkok Bank Pcl (BBL TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Pre Provision Profit	67,066	63,704	66,214	71,252
Net profit	26,507	30,245	33,426	37,407
Norm profit	26,507	30,245	33,426	37,407
Norm EPS (Bt)	13.9	15.8	17.5	19.6
Norm EPS grw (%)	54.3	14.1	10.5	11.9
Norm PE (x)	9.9	8.6	7.8	7.0
P/BV (x)	0.5	0.5	0.5	0.5
Div yield (%)	2.6	3.5	3.8	4.3
ROE (%)	5.6	6.0	6.3	6.8
ROA (%)	0.6	0.7	0.7	0.8

Sources: Company data; Thanachart estimates

Ex 2: Carabao Group Pcl (CBG TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	17,364	23,524	27,506	29,348
Net profit	2,881	4,058	5,294	5,906
Norm profit	2,816	4,058	5,294	5,906
Norm EPS (Bt)	2.8	4.1	5.3	5.9
Norm EPS grw (%)	(19.8)	44.1	30.4	11.6
Norm PE (x)	37.5	26.0	19.9	17.9
EV/EBITDA (x)	27.8	19.8	15.3	13.6
P/BV (x)	10.3	8.8	7.4	6.5
Div yield (%)	1.8	2.5	3.3	4.2
ROE (%)	27.9	36.6	40.5	39.0
Net D/E (%)	53.1	34.7	15.6	(0.5)

Sources: Company data; Thanachart estimates

Ex 3: COM7 Pcl (COM7 TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	51,126	59,128	66,113	74,546
Net profit	2,630	3,350	4,102	5,018
Norm profit	2,608	3,350	4,102	5,018
Norm EPS (Bt)	1.1	1.4	1.7	2.1
Norm EPS grw (%)	80.0	28.4	22.5	22.3
Norm PE (x)	38.6	30.1	24.6	20.1
EV/EBITDA (x)	26.7	21.1	17.5	14.4
P/BV (x)	19.1	13.3	10.9	9.7
Div yield (%)	1.2	1.5	3.3	4.3
ROE (%)	57.1	52.1	48.8	51.2
Net D/E (%)	49.6	0.3	(12.0)	(15.2)

Sources: Company data; Thanachart estimates

Ex 4: Central Pattana Pcl (CPN TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	24,515	32,507	39,007	43,454
Net profit	7,148	9,201	12,246	13,952
Norm profit	3,379	7,570	10,614	12,592
Norm EPS (Bt)	0.8	1.7	2.4	2.8
Norm EPS grw (%)	(35.7)	124.0	40.2	18.6
Norm PE (x)	78.4	35.0	24.9	21.0
EV/EBITDA (x)	27.6	19.5	15.5	13.4
P/BV (x)	3.6	3.3	3.0	2.8
Div yield (%)	1.0	1.4	1.8	2.1
ROE (%)	4.8	9.9	12.8	13.8
Net D/E (%)	92.2	85.3	74.9	66.7

Sources: Company data; Thanachart estimates

Ex 5: Energy Absolute Pcl (EA TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	20,174	35,398	48,310	61,493
Net profit	6,100	8,726	10,527	11,803
Norm profit	6,021	8,726	10,527	11,803
Norm EPS (Bt)	1.6	2.3	2.8	3.2
Norm EPS grw (%)	17.4	44.9	20.6	12.1
Norm PE (x)	54.7	37.7	31.3	27.9
EV/EBITDA (x)	37.9	26.7	22.8	20.0
P/BV (x)	10.1	8.4	7.0	6.0
Div yield (%)	0.3	0.8	1.0	1.4
ROE (%)	20.0	24.3	24.4	23.2
Net D/E (%)	114.8	82.4	63.0	52.6

Sources: Company data; Thanachart estimates

Ex 6: Siam Global House Pcl (GLOBAL TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	33,498	36,894	41,077	46,001
Net profit	3,344	3,882	4,717	5,729
Norm profit	3,344	3,882	4,717	5,729
Norm EPS (Bt)	0.7	0.8	1.0	1.2
Norm EPS grw (%)	70.5	15.9	21.4	21.5
Norm PE (x)	31.8	27.4	22.6	18.6
EV/EBITDA (x)	24.5	21.7	17.9	14.7
P/BV (x)	5.4	4.8	4.2	3.7
Div yield (%)	1.1	1.5	1.8	2.1
ROE (%)	18.3	18.6	19.8	21.1
Net D/E (%)	67.9	51.3	41.2	27.8

Sources: Company data; Thanachart estimates

Ex 7: Home Product Center Pcl (HMPRO TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	61,791	68,059	73,472	80,421
Net profit	5,441	6,586	7,902	9,315
Norm profit	5,441	6,586	7,902	9,315
Norm EPS (Bt)	0.4	0.5	0.6	0.7
Norm EPS grw (%)	5.5	21.1	20.0	17.9
Norm PE (x)	38.9	32.1	26.8	22.7
EV/EBITDA (x)	21.5	18.1	15.7	13.6
P/BV (x)	9.3	8.9	8.2	7.5
Div yield (%)	2.0	2.5	3.0	3.5
ROE (%)	24.5	28.2	31.8	34.4
Net D/E (%)	38.5	32.6	26.3	17.1

Sources: Company data; Thanachart estimates

Ex 8: Kasikornbank Pcl (KBANK TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Pre Provision Profit	92,999	99,188	104,623	111,013
Net profit	38,053	43,342	48,529	54,617
Norm profit	38,053	43,342	48,529	54,617
Norm EPS (Bt)	15.9	18.1	20.3	22.8
Norm EPS grw (%)	29.0	13.9	12.0	12.5
Norm PE (x)	10.0	8.8	7.9	7.0
P/BV (x)	0.8	0.7	0.7	0.6
Div yield (%)	2.0	2.3	2.5	5.7
ROE (%)	8.3	8.8	9.1	9.5
ROA (%)	1.0	1.0	1.1	1.2

Sources: Company data; Thanachart estimates

Ex 9: MK Restaurant Group Pcl (M TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	11,182	15,987	19,046	20,481
Net profit	131	1,601	2,751	3,083
Norm profit	131	1,601	2,751	3,083
Norm EPS (Bt)	0.1	1.7	3.0	3.3
Norm EPS grw (%)	(85.6)	na	71.9	12.0
Norm PE (x)	377.9	30.9	18.0	16.1
EV/EBITDA (x)	20.8	11.5	8.4	7.9
P/BV (x)	3.8	3.6	3.4	3.4
Div yield (%)	1.5	3.2	5.6	6.2
ROE (%)	1.0	11.8	19.4	21.2
Net D/E (%)	(56.9)	(59.7)	(60.6)	(59.4)

Sources: Company data; Thanachart estimates

Ex 10: Stark Corporation Pcl (STARK TB)

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
Sales	27,094	31,172	35,549	39,666
Net profit	2,783	3,264	4,304	5,348
Norm profit	2,611	3,264	4,304	5,348
Norm EPS (Bt)	0.2	0.2	0.3	0.3
Norm EPS grw (%)	138.4	25.0	31.9	24.3
Norm PE (x)	27.1	21.7	16.5	13.2
EV/EBITDA (x)	17.9	14.6	11.5	9.2
P/BV (x)	10.9	7.9	6.2	3.9
Div yield (%)	0.0	2.3	3.0	3.8
ROE (%)	51.6	42.2	42.4	36.1
Net D/E (%)	198.1	131.8	104.2	37.5

Sources: Company data; Thanachart estimates

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